

# AMERICAN STORES COMPANY

*Philadelphia*

*Annual Report  
to Stockholders*

FOR THE YEAR

**1946**

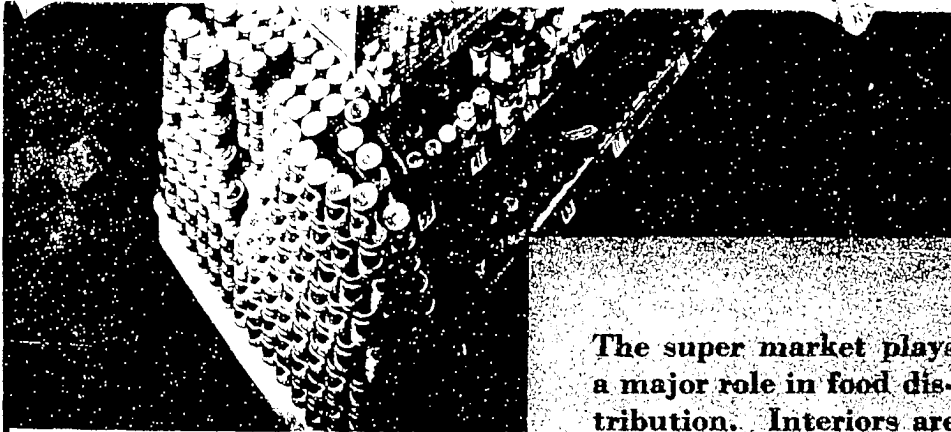
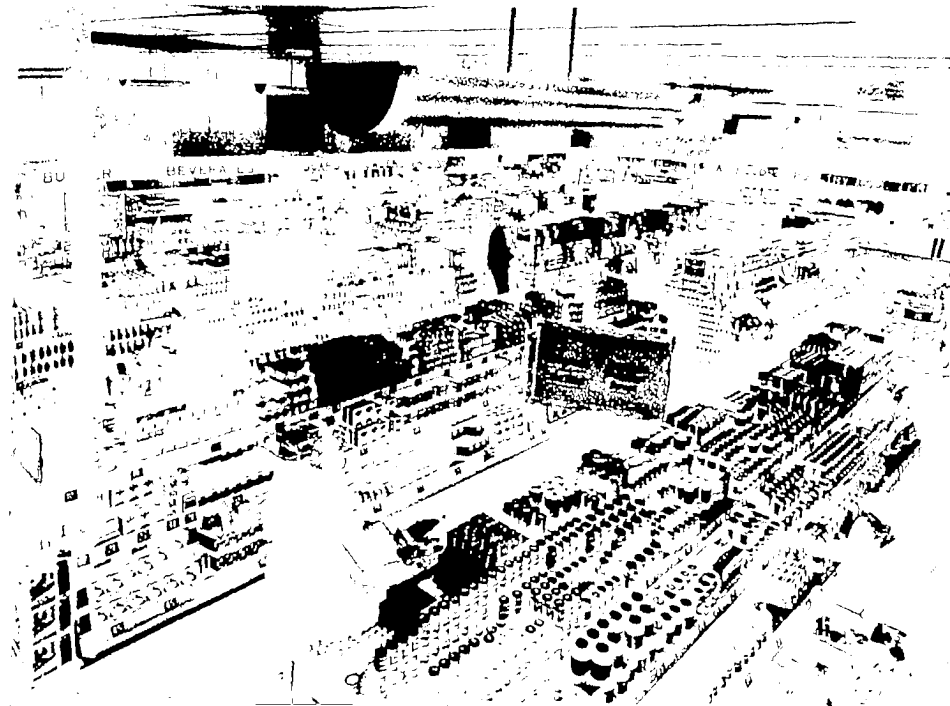
## *Officers*

<i>President</i> . . . . .	WILLIAM PARK
<i>Vice-President and General Manager</i> . .	JAMES K. ROBINSON
<i>Vice-President and Secretary</i> .	E. J. FLANIGAN
<i>Vice-President</i> . . . . .	FRED W. JOHNSON
<i>Vice-President</i> . . . . .	WM. H. EDEN
<i>Assistant to President</i> . . . .	FRED J. HEANEY
<i>Treasurer</i> . . . . .	WILLIAM GOULD
<i>Assistant Treasurer</i> . . . . .	S. C. ARCHER
<i>Assistant Treasurer</i> . . . . .	JOHN R. PARK
<i>Assistant Secretary</i> . . . . .	J. V. KEERS
<i>Assistant Secretary</i> . . . .	A. J. FAULHABER
<i>Assistant Secretary</i> . . . . .	E. A. COLSON

## *Directors*

SAMUEL ROBINSON	WILLIAM PARK
E. J. FLANIGAN	WM. M. M. ROBINSON
JAMES K. ROBINSON	JOSEPH GILFILLAN
JOHN M. HANCOCK	WILLIAM GOULD
FRED J. HEANEY	

# AMERICAN STORES COMPANY



*Interior view of an Acme  
Super Market.*

The super market plays a major role in food distribution. Interiors are designed and displays are arranged for customer convenience and shopping ease. Over 2200 separate food and household items may be obtained in an Acme Super Market.

# REPORT TO THE STOCKHOLDERS



424 NORTH NINETEENTH STREET • PHILADELPHIA 30, PA.

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*For the Year Ended December 31st, 1946*

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THE annual report of your company for the year ended December 31, 1946 is presented herewith, together with a consolidated balance sheet as of December 31, 1946, a statement of consolidated income and surplus for the fiscal year then ended and the certificate of Barrow, Wade, Guthrie & Co., independent public accountants.

During the year 1946 your company acquired all of the outstanding stock of Danahy-Faxon Stores, Inc. of Buffalo, New York, in the hands of the public. In the consolidated statements submitted herewith the financial position at December 31, 1946 and the earnings of that company for the year 1946 are included.

Total sales of \$314,574,528. were approximately 34.6% higher than the 1945 sales of \$233,541,509. Profit for the year amounted to \$8,296,948. after deducting payments to The Equitable Life Assurance Society in respect of the company contributions to the Employees Retirement Plan and provision for Federal and State taxes on income. From this amount, reserves have been provided for possible decline in prices of merchandise inventories of \$1,500,000., and in the sum of \$2,295,600. to cover the estimated cost to the company, less tax benefits to be derived in future years, of the unfunded portion of past service single sum liability under the Employees Retirement Plan and the Supplementary Retirement Plan. After these appropriations, the balance of earnings transferred to earned surplus amounted to \$4,501,348., or \$3.45 per share of stock outstanding in the hands of the public. In the year 1945 net income after Federal and State income and excess profits taxes was \$1,975,192., or \$1.51 per share. Dividends amounting to \$1.20 per share were declared during the year 1946.

At a special meeting held on December 16, 1946 the Employees Retirement Plan and the Supplementary Employees Retirement Plan received the approval of the stockholders, the vote being 945,386 shares for the plan and 18,358 shares against. A ruling has been received from the Commissioner of Internal Revenue

that the Employees Retirement Plan qualifies under the applicable provisions of the Internal Revenue Code. Retirement income under this plan is insured with The Equitable Life Assurance Society of the United States. The cost of the income based on past service is borne by the company and the cost of the income based on future service is borne jointly by the company and the employee-member, the company contributing for each member an amount which ultimately will be approximately twice as great as the amount contributed by the member. During the month of December 1946, \$314,000. was paid to The Equitable Life Assurance Society, representing 10% of the estimated cost to the company for past service and \$387,000. in respect of the current contribution of the company. Interest on the unfunded balance of the past service liability at December 1st of each year will accrue at the rate of  $2\frac{1}{2}\%$  per annum.

The company will contribute the entire cost of the Supplementary Employees Retirement Plan for those employees who have attained the age of 65 years. It is estimated that the total cost of this plan, less the tax benefits, will be approximately \$600,000. A reserve for this amount has been provided from earnings of the year 1946.

By means of the retirement plans, the interests of the company and its stockholders are promoted by attracting and retaining competent personnel and by assuring such personnel a greater measure of financial security.

At the year-end, the parent company and its retail subsidiaries operated 2,012 retail stores as compared with 1,964 stores at the beginning of the year, an increase of 48 units. Self-service super markets increased by 59 units.

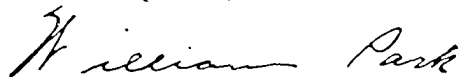
While construction materials and labor are not yet readily available, there are indications that this situation will soon improve sufficiently to permit the company to undertake a substantial part of its planned improvements and construction program. Permits have already been obtained to build a new warehouse in the city of Buffalo and construction work is well advanced.

The total inventories at the year-end show an increase over the inventories of the preceding year of 54.2%. The inventories are conservatively valued at the lower of cost or market and consist of salable and rapidly moving merchandise. A close control of purchases has been maintained and the size of the inventory is commensurate with the present volume of retail sales.

With the return of veterans to the service of the company and the need for additional personnel to cope with the greater volume of retail sales, considerable emphasis has been placed upon the employee training program inaugurated a few years ago. The results obtained have been most encouraging.

The management wishes to express its appreciation for the support and cooperation received from employees, stockholders and customers.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "William Park". The signature is fluid and cursive, with a large initial "W" and a long, sweeping underline.

President.

February 28, 1947.

# AMERICAN STORES COMPANY

*and Subsidiary Companies*

## Comparative Consolidated Balance Sheet

	ASSETS	
	December 31	
	1946	1945
<b>CURRENT ASSETS</b>		
Cash	\$10,805,343	\$ 7,420,816
Accounts Receivable:		
Due from U. S. Government	176,204	685,828
Other Accounts Receivable	1,195,027	982,875
Inventories—at lower of cost or market	35,607,030	23,082,214
<b>TOTAL CURRENT ASSETS</b>	<b>47,783,604</b>	<b>32,171,733</b>
Mortgages, etc.	330,892	318,052
<b>FIXED ASSETS</b>		
Land, Buildings, Machinery, Equipment, Fixtures, etc., at cost	24,247,054	21,128,965
Less: Reserve for Depreciation	10,853,749	9,974,012
	13,393,305	11,154,953
Unamortized Cost of Leasehold Improvements	306,697	129,964
Goodwill	1	1
<b>DEFERRED CHARGES</b>		
Prepaid Insurance, Taxes, etc.	434,979	228,312
	<b>\$62,249,478</b>	<b>\$44,003,015</b>
<b>LIABILITIES AND CAPITAL</b>		
<b>CURRENT LIABILITIES</b>		
Notes Payable—Banks	\$ 6,200,000	\$ —
Accounts Payable and Accrued Charges	8,372,026	6,399,529
Dividend Payable	455,462	325,330
Accrued Federal and State Taxes	817,535	534,525
Reserve for Federal Taxes on Income	5,963,546	4,973,181
Less: U. S. Treasury Tax Notes	—	1,885,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>21,808,569</b>	<b>10,347,568</b>
Purchase Obligations	286,465	343,758
<b>RESERVES</b>		
Possible Inventory Price Declines	1,500,000	—
Employee Retirement Income Benefits	2,295,600	—
Contingencies	783,591	676,200
	4,579,191	676,200
<b>CAPITAL STOCK AND SURPLUS</b>		
Common Stock—no par value		
1,500,000 shares authorized		
1,400,000 shares issued	19,374,156	19,374,156
Earned Surplus	19,721,206	16,781,442
	39,095,362	36,155,598
Less: Treasury Stock—98,680 shares	3,520,109	3,520,109
	35,575,253	32,635,489
	<b>\$62,249,478</b>	<b>\$44,003,015</b>

# AMERICAN STORES COMPANY

*and Subsidiary Companies*

## Comparative Statement of Consolidated Income and Surplus

	INCOME ACCOUNT	
	Year ended December 31	
	1946	1945
Sales—Retail Stores	\$307,452,058	\$220,412,091
Sales—U. S. Government, etc.	7,122,470	13,129,418
	<u>314,574,528</u>	<u>233,541,509</u>
COST OF SALES AND OPERATING EXPENSES		
Cost of Merchandise Sold, including Warehousing and Transportation Expenses	262,485,942	196,576,328
Wages, Rents, Advertising, Operating and Administrative Expenses	36,552,857	28,852,559
Depreciation	1,394,531	1,246,495
Amortization of Emergency Facilities	—	316,403
	<u>300,433,330</u>	<u>226,991,785</u>
PROFIT FROM OPERATIONS	<u>14,141,198</u>	<u>6,549,724</u>
Interest on Bank Loans, etc.	57,764	36,777
Less: Income from Investments, etc.	<u>20,514</u>	<u>27,245</u>
	<u>37,250</u>	<u>9,532</u>
PROFIT BEFORE INCOME TAXES	<u>14,103,948</u>	<u>6,540,192</u>
Federal and State Taxes on Income	<u>5,807,000</u>	<u>4,565,000</u>
NET INCOME BEFORE SPECIAL RESERVES	<u>8,296,948</u>	<u>1,975,192</u>
SPECIAL RESERVES		
For possible decline in prices of merchandise inventories	1,500,000	—
For estimated cost, less tax benefits to be derived in future years, of the unfunded portion of past service single sum liability under the Employees Retirement Plan \$1,695,600, and under the Supplementary Retirement Plan \$600,000	2,295,600	—
	<u>3,795,600</u>	<u>—</u>
BALANCE OF INCOME TRANSFERRED TO EARNED SURPLUS	<u>\$ 4,501,348</u>	<u>\$ 1,975,192</u>
EARNED SURPLUS		
Balance at beginning of year	\$ 16,781,442	\$ 16,107,570
Balance transferred from Income Account	<u>4,501,348</u>	<u>1,975,192</u>
	<u>21,282,790</u>	<u>18,082,762</u>
Dividends (1946—\$1.20 per share, 1945—\$1.00 per share)	<u>1,561,584</u>	<u>1,301,320</u>
BALANCE AT END OF YEAR	<u>\$ 19,721,206</u>	<u>\$ 16,781,442</u>

BARROW, WADE, GUTHRIE & CO.

Accountants and Auditors

Girard Trust Building

Philadelphia, Pa.

*To the Board of Directors of  
American Stores Company:*

We have examined the consolidated balance sheet of American Stores Company and its subsidiary companies as of December 31, 1946, and the statement of consolidated income and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated balance sheet and related statement of consolidated income and surplus present fairly the consolidated position of American Stores Company and its subsidiary companies at December 31, 1946, and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

BARROW, WADE, GUTHRIE & CO.

February 24, 1947.



# AMERICAN STORES COMPANY

*and Subsidiary Companies*

## Summary of Earnings, Dividends and Capital Stock and Surplus

For the Five Years Ended December 31, 1946

	1946	1945	1944	1943	1942
Sales . . . . .	\$314,574,528	\$233,541,509	\$227,630,084	\$212,082,181	\$209,105,553
Profit before Income Taxes . . . . .	14,103,948	6,540,192	6,351,590	4,484,084	5,651,865
Federal and State Taxes on Income	5,807,000	4,565,000	4,520,000	2,775,000	3,643,000
Net Income . . . . .	4,501,348*	1,975,192	1,831,590	1,709,084	2,008,865
Per Share:					
Earnings . . . . .	\$3.45*	\$1.51	\$1.40	\$1.31	\$1.54
Dividends . . . . .	1.20	1.00	1.00	1.00	1.00
Capital Stock and Surplus . . . . .	35,575,253	32,635,489	31,961,617	31,431,347	31,023,583
Number of Retail Stores at Year-end:					
Self-service Super Markets . . . . .	665	606	595	579	576
Other Stores . . . . .	1,347	1,358	1,425	1,487	1,523
Total Stores . . . . .	2,012	1,964	2,020	2,066	2,099

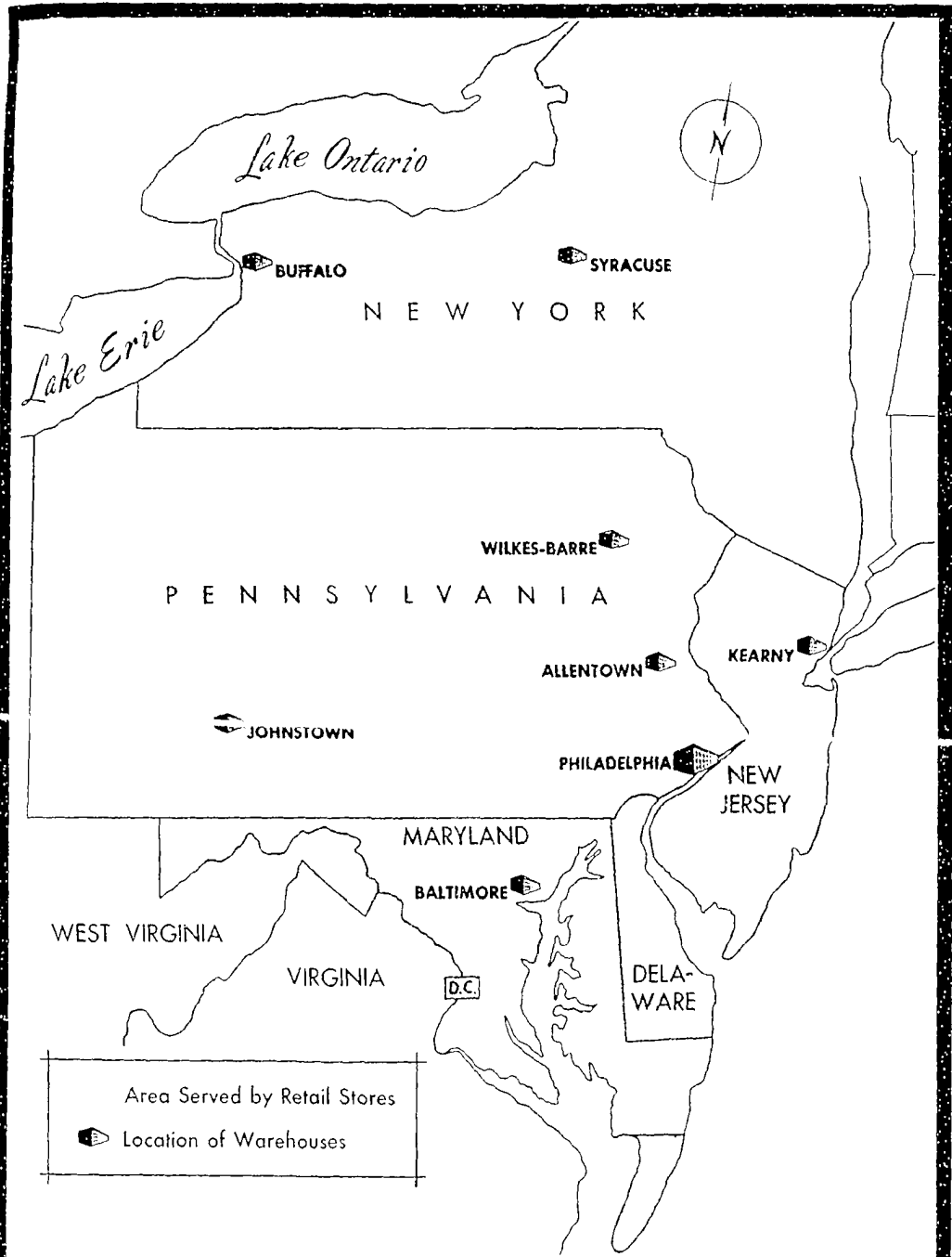
\* After special reserves.

# AMERICAN STORES COMPANY



These scenes suggest  
varied operations  
performed in the  
production and processing  
of food products for  
distribution through  
stores and markets to  
the ultimate consumer.

● Views showing tea packing,  
bread wrapping, peanut butter  
processing, and bacon slicing  
and wrapping.



*From one Philadelphia neighborhood store* the Company has expanded until 2012 stores and markets now serve an area whose bounds extend to seven States and the District of Columbia. Warehouses at seven branch locations supplement the operation of headquarters in Philadelphia. The Buffalo branch is operated by Danahy-Faxon Stores, Inc., a wholly owned subsidiary corporation.



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